

K thru 12 Education

Strong performance by the California economy presents a historic opportunity to make significant additional state investments in K-12 schools to revitalize California's system of public education. These additional resources provide an opportunity for all Californians to unite behind their public schools. Therefore, the Administration proposes to make strategic investments by targeting significant new resources to critical educational priorities that require statewide leadership and focus. At the core of the Administration's priorities is maintaining the state's standards-based reforms in professional development, instructional materials, testing and accountability programs. These reforms are the key to ensuring that all California children have access to high quality instruction that will pave the way toward success in life.

Building on this essential foundation, the Governor has championed the restoration of programs necessary for a well-rounded education; the arts, music, career technical education and physical education. Under the Administration's proposal, schools would receive significant one-time and ongoing resources to purchase equipment and hire staff to ensure all students have access to these programs.

Furthermore, the Governor believes that true educational reform and improved academic achievement result from leadership and ingenuity at the local level. That is why the May Revision proposes a total of \$2.3 billion in new discretionary spending above levels contained in the 2005-06 state budget. These resources are provided as cost-of-living adjustments, deficit reduction funding and revenue limit equalization funding. These funds will provide local educators with the flexible resources to craft specific solutions to help their students succeed.

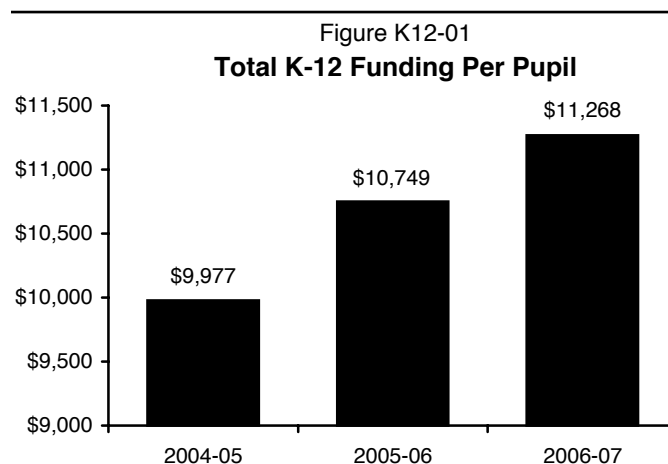
Finally, in an effort to resolve the pending lawsuit regarding Proposition 98 funding, the Administration is proposing to calculate the Proposition 98 guarantee consistent with the legislative intent language contained in Chapter 213, Statutes of 2004. As a result, the state will pay \$3 billion in settle-up funding, comprised of approximately \$1.7 billion and \$1.3 billion to count toward the 2004-05 and 2005-06 Proposition 98 guarantees for those years. In order to provide resources for the initial years of the settlement schedule, the May Revision proposes legislation to authorize the refinancing of the Golden State Tobacco Securitization Corporation's 2003A bonds. This refinancing involves a new structure for utilizing the tobacco settlement payments in a way that will generate additional proceeds of \$900 million for the state without jeopardizing payments to the existing bondholders.

Change in Total K-12 Funding

- 2005-06 \$2.0 billion
- 2006-07 \$0.8 billion

The total funding from all sources available to kindergarten through grade twelve (K-12) education continues to increase. For 2005-06, the May Revision reflects an increase of \$2.0 billion from the Governor's January Budget level of \$62.1 billion. For 2006-07, an increase of \$896.2 million brings total funding to \$67.1 billion.

Funding per pupil from all sources for 2006-07 relative to the Governor's January Budget increases \$272, from \$10,996 to \$11,268. Revised per pupil funding of \$10,749 in 2005-06 represents an increase of \$413 from the Governor's January Budget level of \$10,336 (see Figure K12-01).

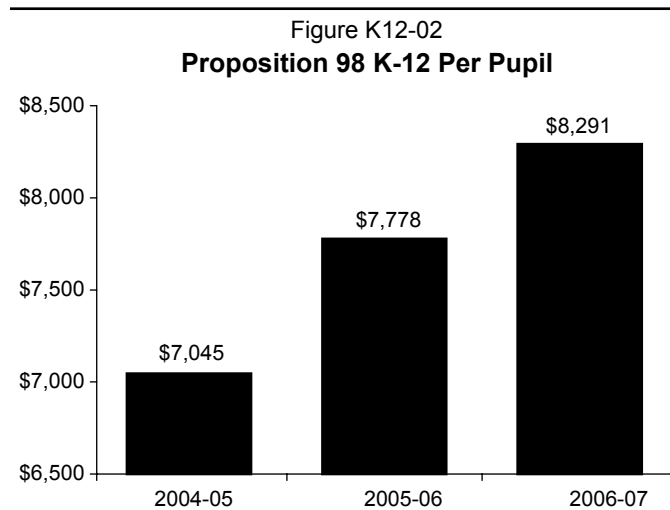


Proposition 98 Guarantee

- 2005-06 \$2.1 billion
- 2006-07 \$0.8 billion

The Governor's Budget included funding of \$54.3 billion for Proposition 98 in 2006-07. This reflected \$1.7 billion in spending above the level that would have otherwise been required by the Proposition 98 guarantee and a \$428 million increase to implement Proposition 49. In the May Revision, the Administration is proposing to add to these significant investments in education programs. The May Revision reflects a Proposition 98 increase of \$2.1 billion in 2005-06 and an increase of \$756.8 million for 2006-07. The May Revision continues to propose to spend at the level the Proposition 98 guarantee would be in 2006-07 assuming that the 2004-05 suspension had only been \$2 billion. It also continues to include \$426 million above this level to implement Proposition 49.

Funding per pupil from Proposition 98 sources for 2006-07 relative to the Governor's January Budget increases \$239, from \$8,052 to \$8,291. Revised per pupil funding of \$7,778 in 2005-06 represents an increase of \$350 from the Governor's Budget level of \$7,428 (see Figure K12-02).



May Revision Expenditure Highlights

The May Revision proposes significant new one-time and ongoing education initiatives. These proposals, along with the major education investments proposed in the Governor's Budget, demonstrate the Administration's commitment to meaningful reform in California's public schools.

Ongoing Programs

The May Revision proposes strategic ongoing investments in the areas described below. These major initiatives will help to restore crucial educational services that have been reduced or eliminated in recent years and also lay the groundwork for important new efforts. Along with the initiatives contained in the Governor's Budget, these investments will help guide the way to major improvements in California's public schools.

Expansion of the Arts and Music Block Grant

The May Revision proposes an increase of \$66 million Proposition 98 General Fund to expand the Arts and Music Block Grant proposed in the Governor's Budget, for a total of \$166 million. This increase will allow for expansion of the block grant to high schools and increases the per pupil rate to \$25. The Administration continues its commitment to improving cognitive development and educational outcomes by increasing educational opportunities for art and music. These funds will be distributed to school districts, charter schools, and county offices of education for supporting standards aligned instruction in kindergarten through grade twelve and will also be available for uses that include hiring additional staff, purchasing materials, books, supplies and equipment, and staff development. Funding will be allocated at a rate of \$25 per pupil, with a minimum of \$3,000 for school sites with ten or fewer students and a minimum of \$5,000 per site with more than ten students.

School Counselors for Grades Seven through Twelve

The May Revision provides \$200 million Proposition 98 General Fund to increase the number of school counselors that serve seventh through twelfth grade students. These funds are intended to supplement, not supplant, existing counseling resources and improve the ratio for middle school students to 500:1 and 300:1 at high schools. Moreover, unlike existing counseling services that only provide students with academic counseling, these new counselors will provide students with information on all educational and vocational options available to them.

Targeted Preschool Initiative

The May Revision proposes \$50 million Proposition 98 General Fund for the first phase of a \$145 million expansion for 4-year olds from low-income families residing in school districts in the lowest three deciles of the Academic Performance Index. This expansion will also include quality reforms designed to promote family literacy. Research demonstrates that children from low-income families benefit the most from access to quality preschool. The expansion will be phased in over a three-year period, which will allow school districts to address facility needs and to build capacity by hiring new teachers.

In addition, the May Revision provides an increase of \$50 million one-time Proposition 98 General Fund in the Child Care Facilities Revolving Fund to address facility needs for the preschool expansion.

One-Time Programs

The May Revision proposes the following initiatives to be supported with one-time funding. These initiatives were selected to address critical education policy concerns while not creating recurring financial obligations for the state or school districts.

Instructional Materials Grants

The May Revision provides \$250 million Proposition 98 General Fund for the purchase of standards-aligned instructional materials and supplemental materials. High-quality instructional materials for every student are a fundamental building block of a strong educational program and are required under the Williams settlement. These resources will help schools fill gaps in their instructional material programs and replace lost textbooks. Additionally, to the extent schools have purchased standards-aligned materials for the four core subject areas, these funds will enable districts to purchase effective supplemental materials. Grants will be allocated to school districts and county offices of education on an equal amount per pupil based on the number of pupils in kindergarten and grades one through twelve.

Arts and Music Equipment and Supplies Grants

The May Revision provides \$250 million Proposition 98 General Fund for the purchase of Art and Music equipment and supplies. These one-time grants will allow K-12 schools to restore and expand the infrastructure of art and music programs. With these resources, schools will be able to make significant investments in items such as musical instruments, kilns, photographic equipment and multi-media design equipment.

Physical Education Equipment Grants

The May Revision provides \$250 million Proposition 98 General Fund for the purchase of physical education equipment and supplies. This significant infusion of resources will allow schools to make meaningful investments in order to improve and expand the infrastructure of physical education programs. Grants will be allocated to school districts and county offices of education on an equal amount per pupil based on the number of pupils in kindergarten and grades one through twelve.

Teachers' Fund for Classroom Supplies and Materials Grant

Across the state, teachers oftentimes dip into their own pockets to pay for classroom supplies, laboratory supplies and other materials they need to do their jobs. It is well-documented that most K-12 teachers spend hundreds and even thousands of dollars per year of their own money on items ranging from paper and glue sticks to lab supplies and printer cartridges. The May Revision provides \$400 million Proposition 98 General Fund to help alleviate this burden on teachers. These resources will be allocated to school districts and county offices of education serving pupils in kindergarten through grade twelve and must be used to purchase classroom supplies and materials. Funds must be used to establish discretionary classroom supply and material accounts for each classroom teacher.

Classroom and School Library Reading Block Grant

The May Revision provides \$75 million Proposition 98 General Fund for the purchase of school library materials. School libraries foster literacy by allowing students to read stories and explore information that matters to them. In addition, school libraries play a vital role in promoting academic achievement and providing instructional support. The resources provided in the May Revision will help to replenish and refresh both school and classroom library materials. Of the \$75 million, \$25 million is reserved for kindergarten through grade four and \$50 million for grades five through twelve.

Career Technical Education Equipment and Materials Block Grant

The May Revision provides \$50 million Proposition 98 General Fund for the purchase of career technical education equipment and materials. These resources will be allocated to school districts, regional occupational centers/programs, adult education providers and county offices of education to the extent they offer career technical education. Funds will be distributed on an equal amount per pupil based on the number of pupils in middle and high school.

Mathematics Teacher Pilot Program

In addition to the Governor's Math and Science Teacher Initiative, the May Revision includes \$1.8 million Proposition 98 General Fund for a pilot program to establish essential links between higher education and secondary-level math programs. This will complement the Governor's Initiative and further reflects the Administration's commitment to addressing the shortage of math teachers. The goal of the Mathematics Teacher Pilot program is to improve the level of mathematics instruction in California by both ensuring that there are quality math instructors in secondary schools to increase student proficiency and by encouraging upper-level college math majors to enter the teaching profession in districts most in need.

K-12 High Speed Network

The May Revision includes \$5 million one-time Proposition 98 General Fund for the "last mile" which will enable all remaining California schools, districts, charter schools and county offices of education to connect to the K-12 High Speed Network. The proposed funds will be allocated based on need, with priority to be given to districts that are not yet connected.

The May Revision also authorizes \$15.6 million to support the K-12 High Speed Network, including \$8.6 million Proposition 98 General Fund, \$3 million from existing reserves and \$4 million from excess funds in the equipment refresh account. These funds will allow the K-12 High Speed Network to continue the work of ensuring cost-effective Internet and other communication services for all California schools.

Discretionary Funding For Schools

The Governor's Budget included significant increases in discretionary funding for schools, including \$200 million for school district revenue limit equalization to address the disparity in base general-purpose funding levels across school districts. In addition, \$205 million was included to restore most of the outstanding deficit factor owed as a result of reductions to apportionments made by the prior Administration. The May Revision continues to prioritize discretionary funding for schools and provides an additional \$233.9 million in discretionary funding. This includes increases of \$235 million for an increase in the cost of living adjustment index, \$102.4 million to restore the remaining deficit factor and \$100 million for school district revenue limit equalization.

Major Program Adjustments

The May Revision includes the following significant changes to major education programs.

Attendance Changes

The May Revision includes an estimated 2005-06 K-12 average daily attendance (ADA) decline of 0.21 percent, a reduction from the 0.47 percent growth projected in the Governor's Budget. In 2006-07, the revised ADA also shows a decline of 0.26 percent (approximately 66,000 ADA lower than the January estimate). As a result, General Fund Proposition 98 costs for school district and county office of education revenue limits decrease by \$67.3 million in 2005-06 and \$209.9 million in 2006-07. The total number of ADA is estimated to be 5,972,000 in 2005-06 and 5,957,000 in 2006-07.

Cost Of Living Adjustment Changes

The May Revision includes an additional \$320.4 million to fund an increase in the estimated Cost of Living Adjustment (COLA) factor, from 5.18 percent to 5.92 percent. This increase requires adjustments of \$235 million for apportionments, \$22.6 million for special education, \$12.3 million for K-3 class size reduction, and \$10 million for various child care programs.

Revenue Limits

Revenue limit funding constitutes the basic funding source for classroom instruction. The May Revision provides a net increase compared to the Governor's Budget of \$233.9 million to school district and county office of education revenue limits, which includes the decrease due to anticipated ADA declines, the increase due to the increased COLA factor and an increase of \$8.7 million General Fund to account for revised local revenues. This figure also incorporates the cost of eliminating the deficit factor and the proposed increase in equalization funding discussed in the Discretionary Funding for Schools section.

The May Revision also sets aside \$17.8 million Proposition 98 General Fund to resolve inequities in base funding for oversight and assistance activities to school districts by county offices of education.

Mandated Local Programs

The Governor's Budget included \$133.6 million to fund the ongoing cost of K-12 and Community College state-mandated programs. The May Revision includes an additional \$30 million from the Proposition 98 Reversion Account for these costs. This should be

sufficient to fund these mandates until more audits have been performed and reliable data is obtained on the true costs of the mandates.

The Governor's Budget also included \$18.7 million from the Proposition 98 Reversion Account and \$150 million in settle-up payments to fund prior year mandate claims. The May Revision adds over \$650 million one-time Proposition 98 General Fund to fund over half of the outstanding audited claims.

Special Education

The May Revision provides a net General Fund increase of \$19.5 million and a net decrease of \$13.6 million in federal funding under amounts proposed in the Governor's January Budget. These changes include adjustments for local property tax, growth and the increased COLA. The total year-over-year decrease in federal Special Education Funds is \$1.6 million. We note that in order to comply with the federally-mandated state-level activities cap, the May Revision proposes to shift some expenditures from Federal to General Fund dollars. To reflect this, it is proposed that \$963,000 in transportation costs for the State Special Schools be funded with General Fund, and it is proposed that \$934,000 for activities related to Family Empowerment Centers be funded with General Fund.

The May Revision continues to include \$100 million (\$69 million in Federal funds and \$31 million in Proposition 98 General Fund) for special education mental health and pre-referral services to local education agencies. An additional \$69 million is provided in the Department of Mental Health budget for allocation to county mental health agencies as part of a program restructuring designed to provide greater fiscal and programmatic accountability, improve efficiency, and ensure that these valuable services for special education pupils will continue. This proposal is discussed in greater detail in the Department of Mental Health section.

School Nutrition Program

The May Revision provides \$37.8 million Proposition 98 General Fund to support a 6.75 cent increase in the meal rate for the School Nutrition Program. This increase will enhance the ability of schools to serve nutritious meals to students. By providing nutritious food choices, school nutrition programs play an important role in promoting student health and combating childhood obesity.

The May Revision also provides \$3 million one-time Proposition 98 General Fund for School Breakfast Startup grants.

In addition, \$1 million one-time General Fund is proposed for a child nutrition point-of-service technology study, which would assess the availability and costs of current point of service technologies. These web-based technologies allow parents to electronically monitor and limit the foods their children eat at school. Parents are also able to specify which foods their child may purchase and block food purchases that are unhealthy or that may contain ingredients that may cause an allergic reaction.

Other Major Budget Adjustments

The May Revision includes other major budget adjustments outlined below.

National Board Certification

The May Revision provides \$5 million Proposition 98 General Fund to significantly reduce the cost to teachers for obtaining certification from the National Board for Professional Teaching Standards. This is sufficient to fund up to 5,000 teachers, with a priority for teachers in High Priority Schools. National Board certification is a voluntary program, which allows teachers to demonstrate professional teaching excellence. As such, teachers must complete significant professional development and pass rigorous standards and assessments. Certification currently costs \$2,500, with federal funds available for half the fee. This proposal would fund up to \$1,000 of the remaining cost so that teachers will pay only \$250. If federal funds are insufficient to meet demand, the funds will be used to provide \$2,250 per teacher to ensure this goal is met.

English Language Learner Instructional Materials

The May Revision proposes \$30 million one-time Proposition 98 General Fund for the purchase of supplemental materials to help students with a primary language other than English quickly develop grade-level English language skills.

California High School Exit Exam

The May Revision provides \$7.7 million Proposition 98 General Fund to develop three additional administrations of the California High School Exit Examination (CAHSEE). These administrations will accommodate students who attend school at non-traditional times, such as evenings and weekends, and provide students with additional opportunities to pass the examination. In addition, funds will be used by the independent evaluator to perform analyses related to the three additional administrations. Beginning with the Class of 2006, successful completion of all graduation requirements and passage of the CAHSEE are prerequisites for a high school diploma.

The May Revision also includes \$65 million Proposition 98 General Fund for the CAHSEE Supplemental Instruction Program to provide additional supplemental instruction to pupils who have failed or are at risk of failing the CAHSEE. This is an increase of \$25 million over the Governor's January Budget proposal. It is intended that these funds supplement, not supplant, the existing Supplemental Instruction Program funds. Of the additional funds provided at the May Revision, \$10 million provides supplemental instruction to adult education pupils who have met all graduation requirements except for the passage of the CAHSEE.

Healthy Start

The May Revision includes \$10 million one-time Proposition 98 General Fund for Healthy Start for a new cohort of operational and collaborative planning grants in 2006-07.

Oral Health Assessments for Kindergarten Pupils

The Administration proposes to require proof of an oral health assessment by a licensed dental professional for children enrolled in kindergarten pursuant to legislation in the current session. As a result, the May Revision includes \$4.4 million Proposition 98 General Fund for schools to notify parents of the requirement, withhold report cards for pupils whose parents have not complied and report required information to county health agencies. The May Revision also includes \$2 million in the Medi-Cal and Healthy Families budgets for the cost of the assessment for eligible children.

Fiscal Solvency

The May Revision provides \$10 million one-time Proposition 98 General Fund to require districts that have outstanding long-term obligations concerning health benefits for retirees to produce a plan for meeting those obligations. The funding is also intended to reimburse county superintendents for reviewing these plans as part of the budget adoption process. In conjunction with Chapter 52, Statutes of 2004 (AB 2756), the Administration's recent effort to improve fiscal responsibility at the local level, and the provision of large increases in discretionary funding proposed in both the current and budget years, the Administration believes these proposals will help ensure that local education agencies have both the resources and the accountability structures in place to avoid issues of fiscal insolvency.

CALPADS-CSIS Transition

To prepare schools for the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS), the May Revision includes \$31 million (\$20 million from the Educational Telecommunication Fund and \$11 million one-time Proposition 98 General Fund) to help improve school districts' data capability by participating in the California School

Information Services (CSIS) program. These funds are proposed to be available for two years so that all districts may upgrade hardware and software to improve their ability to collect and analyze pupil data. This funding will help ensure data integrity and a smooth, effective transition to the new statewide longitudinal student data base. The May Revision also includes \$1.1 million for CSIS to support districts in their transition to CALPADS.

Teacher Database System

The May Revision provides \$938,000 from federal Title II Improving Teacher Quality carryover funds for development of the statewide Teacher Database System. The amount proposed would allow the Department of Education and the Commission on Teacher Credentialing to begin development of the system by issuing a request for proposals and by beginning initial data management activities necessary for successful implementation of the database.

Proposition 98 Reversion Account

The May Revision proposes additional one-time Proposition 98 Reversion Account funding as follows:

- \$30.4 million for emergency repairs pursuant to the William's settlement agreement.
- \$30 million in one-time grants for school garden supplies and equipment.
- \$30 million for on-going mandate costs.
- \$22.3 million for a one-time Community College general purpose block grant
- \$10.5 million to fully fund the differential between the charter school revenue limit and the unified school district revenue limit pursuant to Chapter 355, Statutes of 2005 (SB 319).

Other K-12 Agencies

The May Revision also includes adjustments to the following education related agencies.

California State Library

The May Revision provides a \$7 million General Fund increase to the Public Library Foundation (PLF) program and an additional \$7 million General Fund increase for the transaction-based Interlibrary Loan and Direct Loan Program. The augmentation to the

PLF will enhance base support for local libraries, allowing for longer hours of operation, the purchase of more books or expenditures on other local priorities. The increase to the Interlibrary and Direct Loan programs will allow local libraries to recoup costs incurred when libraries share resources with other library districts. This program encourages efficient resource allocation and is worthy of increased support.

California State Summer School for the Arts

The May Revision proposes \$676,000 General Fund for the California Summer School for the Arts (CSSSA). These funds will allow CSSSA to reduce the fees charged to pupils and to offer additional scholarships to low-income students. This increase fulfills the statutory intent that the state provides funding to support up to 75 percent of the total program costs.

California Commission on Teacher Credentialing and Other Credentialing Reforms

The May Revision includes \$22 million that has been set aside for various teacher credentialing reforms that are contained in SB 1209 (Scott). This funding includes \$2 million for anticipated studies of current teacher and intern induction programs as well as \$20 million to support the reforms contained in the bill. These reforms will simplify the process for out-of-state teachers to receive a California teaching credential, streamline the system of exams individuals must pass in order to earn a teaching credential, expand and improve mentoring and induction programs for teachers, and help school districts improve their teacher recruitment and hiring practices.

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